THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: REPORT NO:

ATTENTION: Council President and City Council

SUBJECT: Selection of Enterprise Resource Planning (ERP) System Integrator

REFERENCE: Enterprise Resource Planning System Core Project, Report No: 07-027
                  Lease Purchase Agreement with IBM Credit LLC, Report No: 07-060
                  Selection of Enterprise Resource Planning (ERP) System Software
                  Establishment of CIP, Report No: 07-106
                  Selection of Enterprise Resource Planning (ERP) System Software and
                  Establishment of CIP, IBA Report No: 07-62

REQUESTED ACTION:

This report provides an update on the selection of the System Integrator for the ERP Core
Implementation Project. No action is required.

STAFF RECOMMENDATION:

No action is required. This is for information only.

SUMMARY:

Background

The project to implement the ERP System is described in Report No. 07-027, and was approved,
in concept, by the City Council on February 5, 2007.

The project's financing requirements are described in Report No. 07-060. Through OO-19618,
introduced on April 24, 2007, and adopted on May 15, 2007, City Council authorized the Mayor
to enter into a lease-purchase agreement with IBM Credit LLC for the financing required to
implement the ERP Core Project. In addition, City Council authorized establishment of an ERP
Fund (50071) and the transfer of up to $3.5 million from the City's A-List Fund (50066) to the
ERP Fund.

On May 12, 2007, the SDDPC Board of Directors authorized the President and Chief Executive
Officer, Chief Financial Officer, and Corporate Legal Counsel to negotiate and execute a

contract with SAP AG (SAP) (contingent upon City Council affirmation) to provide software and maintenance support for the City's ERP Project. The term of the maintenance contract will be for two (2) years with eight (8) one (1) year renewal options. The software and first year maintenance cost is $4,575,882.50.

Also, on May 12, 2007, the SDDPC Board of Directors authorized the President and Chief Executive Officer, Chief Financial Officer, and Corporate Legal Counsel to designate and use $3.5M of SDDPC's equity for various SDDPC expenses related to the City's ERP system implementation.

On June 11, 2007, City Council passed Resolution No. R-302710 authorizing the Mayor to draw against the IBM Credit Facility for the purpose of acquiring the equipment, software, and services selected by SDDPC for the implementation of the City's ERP Project, and to add CIP#92-000.0, Enterprise Resource Planning ("ERP") Core Capital Project, fund 500711, to the fiscal year 2007 Capital Improvements Program.

On June 12, 2007, SDDPC executed a contract with SAP to provide ERP software and maintenance to the project.

On September 5, 2007, the SDDPC Board of Directors authorized the President and Chief Executive Officer, Chief Financial Officer, and Corporate Legal Counsel to negotiate and execute a contract with Axon Solutions Inc (Axon) to provide SAP System Integration (SI) Consulting Services for the City of San Diego's ERP Project at a cost not to exceed $19,000,000.

On September 28, 2007, SDDPC executed a contract with Axon to provide SAP SI Consulting Services to the project.

Discussion

Axon has been selected to supply SAP System Integration Consulting Services to SDDPC for the City's ERP Project. This report provides a review of the process used to select the system integrator, and an overview of the services to be provided by Axon.

System Integrator Selection Process

In October 2006, City staff contacted SDDPC Procurement to request support in the procurement of an ERP system. Guidance given to SDDPC specified that the ERP system is intended to replace the major software systems being used in the Department of Finance and Business and Support Services. Additional guidance given to SDDPC included that the ERP system must address the needs outlined in the final report of the Audit Committee (Kroll Report). The systems to be replaced have been documented in previous reports.

The procurement plan for the ERP system included two (2) Request for Proposals (RFPs); one to select the software, and a second to select the system integration partner.

As documented in Report No: 07-106, Selection of Enterprise Resource Planning (ERP) System Software and Establishment of CIP, SAP has been selected to provide the ERP software and maintenance for the City's ERP project.

On June 5, 2007, following selection of the ERP software, SDDPC released an RFP for SAP ERP system integration consulting services. The RFP was updated and reissued on June 28, 2007. To support evaluation of the responses to the RFP, a detailed evaluation process was defined by SDDPC procurement.

On July 30, 2007, two qualified proposals were received from the following vendors: IBM Global Business Services and Axon.

System Integrator Evaluation Process

Proposals were evaluated by an evaluation committee ("Committee") comprised of four (4) SDDPC representatives and nine (9) City representatives. The Committee consisted of staff that individually reviewed and scored each proposal against a selection matrix. The evaluation process consisted of a five (5) step process.

Committee Members:

Laura Atkinson, SDDPC
George Brister, Office of the CIO
Patrick Kelleher, Purchasing & Contracting
Matt McGarvey, Office of the CIO
Elizabeth Mueller, General Services / Streets
Marlyn Webb, SDDPC
Lori Jo Zehner, SDDPC

Mike Bresnahan, Water Department
Bob Jenkins, SDDPC
Anne Lamen-Aban, Personnel
Elizabeth Monillas, Risk Management
Nader Tirandazi, Public Works / Dept of Finance
Ed Wochaski, Comptroller's Office

Step 1 was a pass/fail determination on the ability to meet the mandatory requirements. Both vendors passed.

Step 2 consisted of a detailed review of the written responses for each of the following criterion:

   a. administrative requirements
       a) adherence to RFP proposal format, content, and professionalism
       b) exceptions to sample SDDPC contract
   b. business strength and experience
       a) relevant implementations of SAP
       b) staffing
       c) financial soundness and stability
       d) business size, capacity, breadth, and history
   c. project approach and understanding
       a) vendor's implementation strategy
       b) detailed implementation work plan
       c) all other technical discussions and plans

The evaluations during this step were based on the written responses to the RFP. A numerical score was awarded for each criterion.

Step 3 consisted of an assessment of each Vendor's Oral Presentation. Each Vendor was provided an agenda to guide their presentation. Presentations were one (1) day for each vendor. Vendors were encouraged to have key members of their proposed consulting team participate in the presentation. The Oral Presentations were held on August 13, 2007 and August 14, 2007. The Vendors were evaluated on the following criterion:

    a. relevant public sector experience
        a. public sector specific issues
        b. experience and capability of staffing leads
    b. methodology, processes, and tools
        a. relevant implementation of SAP
        b. staffing
    c. project management approach
        a. vendor's implementation strategy
        b. vendor's flexibility to use SAP resources

Each Vendor was awarded a numerical score for each criterion.

Step 4 consisted of an assessment of vendor reference checks. Reference checks were conducted by phone using a scripted check list. The Vendors were evaluated on the following criterion:

    a. integrator summary
    b. project management
    c. project staffing
    d. training and support

Step 5 consisted of a review of the cumulative score and assessment of the initial and revised cost and scope from each vendor.

On August 31, 2007, the Committee reviewed the proposed cost and the cumulative score, and after deliberation, reached a unanimous decision to recommend that Axon be selected to supply SAP system integration consulting services to SDDPC for the City's ERP Project. The Committee's recommendation was presented to the City's Project Sponsor. The recommendation was reviewed with the members of the ERP Core Project Executive Steering Committee and was accepted by the Project Sponsor.

ERP Core Project Executive Steering Committee Members:

    Jay Goldstone, COO, Project Sponsor & Primary Stakeholder
    Hadi Dehghani, Director Personnel, Major Stakeholder
    Matt McGarvey, CIO, Major Stakeholder
    Tom Fleming, President & CEO SDDPC, Major Stakeholder

Greg Levin, Comptroller, Major Stakeholder
David Jarrell, AD COO Public Works, Major Stakeholder
Debra Fischel-Faulk, Director of Administration, Stakeholder
Beth Murray, AD COO Land Use and Economic Development, Stakeholder
Mary Lewis, Director of Finance, Major Stakeholder
Tammy Rimes, DD Purchasing, Major Stakeholder

In summary, based on all of the evaluation elements, the Committee unanimously recommended Axon as the system integrator. The Project Sponsor accepted the Committee's recommendation and authorized SDDPC to proceed with obtaining SDDPC's Board approval.

Capabilities of System Integrator

Axon is the largest dedicated delivery firm for SAP-enabled business transformation, with over 2900 consultants globally. In the United States, Axon is a leader in the delivery of Public Sector and Utility SAP solutions. Axon Solutions Inc is a Delaware Corporation, with principal offices at 15 Exchange Place, Suite 730, Jersey City, NJ. Axon's Irvine, CA office will be the central support office for this project.

The SAP software selected for the City's ERP system is designed to integrate an organization's multiple functions in a manner that reflects best practices. This is accomplished in part, by providing a configurable software system and a set of Implementation Guides tailored to industry specific best practices. For the City, the industry specific best practices are tailored for the Public Sector.

As the system integrator, Axon will lead the combined City, SDDPC, and Axon resources through the implementation of the mySAP ERP product.

SOW

The SOW includes definitions for Phase 1, Phase 2, and an optional Phase 3.

Phase 1 will include the implementation of the mySAP Financials and mySAP Operations (Procurement and Inventory). Phase 2 will include implementation of mySAP ERP Human Capital Management (including Payroll), and Optional Phase 3 encompasses Budget Preparation and Tax and Revenue Management.

Specifically, the SOW provides definition in the areas listed below:

- Program (Project) Scope
- Implementation Approach
- Program (Project) Organization
- Assumptions
- Program (Project) Management Process
- Customer Provided Assistance
- Axon Provided Materials

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- Pricing and Payment

Program Scope

This section of the SOW defines the high level deliverable items for the project. It defines scope for the following project elements; Business Process, SAP Components, Programming, Technical, Training and Change Management, Business Transformation.

The Business Process (BP) Scope to be implemented is listed by area below.

ERP Financials Application BP Scope

Financial Accounting
    General Ledger
        Maintain Chart of Accounts
        G/L documents – G/L Journals, Recurring & Accruals
        Month end processing
        Year end processing
        Open period adjustments
        Allocations
        Inter-agency transactions
    Accounts Payable
        Manage Vendors and Terms
        Delete / Archive Vendor
        Invoice entry referencing a Purchase Order
        Miscellaneous Invoice Entry
        Payment processing (checks, ACH, Wires)
        Manual Checks
    Accounts Receivable
        Standard Cash Sale
        Manage Customers and Terms
        Miscellaneous Invoices
        Outbound correspondence
        Installments
        Dunning
        Write off
        Bad debts
        Doubtful debts
        Limited Customer Interaction Center
        Payment processing (lock box, cash desk)
        Return Processing
        Closing processing
        Manual postings/adjustments
    Fixed Asset Accounting
        Maintain Asset Master Data – create and other maintenance transactions
        Depreciate Fixed Assets

6

Transfer, retire, and sell Fixed Asset (purchased or constructed Fixed Asset)

Report Fixed Assets – general financial reporting

Bank Accounting

Maintain Bank Master Data

Reconcile Cash Balances

Process Bank Statement

Financial Statements

Manage Financial Statements

Financial Supply Chain Management

Cash & Liquidity Management

Manual Cash Planning

Treasury and Risk Management

Long Range Cash Planning

Management Accounting

Cost Center & Internal Order Accounting

Maintain CO Master Data – Cost Centers and Standard Hierarchy

Maintain CO Master Data – Activity Types

Maintain CO Master Data – Actual Overhead % calculations & rates

Create Internal Orders

Execute Actual Settlement

Maintain & Execute Actual Cost Center Allocations

Enter Actual and Planned Statistical Key Figure Values

Enter financial cost corrections in Controlling Module

Maintain CO Master Data – Construction in Progress

Project Accounting

Create Capital / Maintenance Projects and WBS Structure

Plan Project Costs

Capture Project Costs

Settle Project Costs

Periodic Settlement to Asset Under Construction

Close Project

Budgeting Control

Budget Process – Extraction from SAP for budget preparation

Budget Process – Upload of finalized budget into SAP

ERP Procurement & Logistics Execution BP Scope

Procurement

Requisitioning

Create Requisitions

Manage Approvals & Workflow

Purchase Request Processing

Manage Vendor Master Data

Automatic Conversion of Requisitions to Purchase Orders

Allocate Sources of Supply
Purchase Orders
Create Manual Purchase Orders (Stock, non-Stock, Services)
Create Purchase Orders from RFP
Maintain Prices / Purchasing Information Records
Manage Blanket Orders
Manage Framework Agreements
Receiving
Goods Receipt
Service Entry
Returns
Financial Settlement
Invoice Verification

Inventory & Warehouse Management
Warehousing & Storage
Transfer Postings – Plant to Plant / Storage Location to Storage Location
Create Manual Allocations
Disbursements / Goods Issues
Physical Inventory
Cycle Counting
Wall-to-Wall Inventory
Process Stock Descriptions

Procurement for Public Sector BP Scope

Public Tendering
Public RFx Publishing
Create and Review RFP Package
Publish RFP Package
Manage RFP Package Addendums
RFx Response Evaluation
Evaluate and award RFx Responses
Contract Management & Administration
Complex Contract Creation
Create Contract from RFP
Close Out Execution
Conduct Contract Close-Out
Contract Tracking & Monitoring
Monitor Contract Performance
Incident Handling
Manage Contract Change Requests

Industry Solution for Public Sector (IS_PS) BP Scope

IS-PS

Grants Management
    Preparing Grant Application (pre-award)
    Recording Sponsor's Decision
    Executing the Awarded Grant
    Pass-through of Grants
    Expenditure Certification
    Master Data Maintenance
    Billing of Grantor
    Budget and Availability Control
Funds Management
    Master Data maintenance
    Budget and Availability Control
    Periodic Closing
    Manual Adjustments

Governance, Risk & Compliance BP Scope

Governance, Risk and Compliance
    Compliance
        Process Control
        Access Control

ERP Financial Analytics BP Scope

Financial Analytics
    Financial Reporting & Management
Operations Analytics
    Procurement Analytics
    Inventory & Warehouse Management Analytics

Human Capital Management Application BP Scope

Talent Management
    eRecruitment
        External & Internal Job Postings
        Applicant Tracking
        Interview process management
    Enterprise Learning
        Listing of Training Events
        Enrollment in Training Events
    Employee Management Performance
        Appraisals & Qualifications
    Compensation Management
        Annual Salary and Bonus Adjustments
Workforce Process Management
    Employee Administration

Hires
Transfers
Leave of absence
Promotions
Terminations
Other personnel actions
Organizational Management
Organization units
Jobs
Positions
Reporting relationships
Benefits Management
Listing of Benefits Plans
Benefit Eligibility Rules
Annual Enrollment
Life Event Changes
Benefits Costs
Time and Attendance
Recording of Working Time
Recording of Absences
Tracking Vacations
Evaluating Time
Transferring Time to Payroll
Payroll and Legal Reporting
Calculation of Gross Payroll
Deductions
Taxes
Garnishments
Third-Party Remittance
Tax Filling
Tax Payments
W-2 Processing
HCM Processes and Forms
Self Service
Employee Self Service
Standard SAP ESS Functionality
Manager Self Service
Standard SAP MSS Functionality

ERP HCM Analytics Scope

Workforce Analytics
Workforce Process Analytics Measurements

Industry Solution for Public Sector Scope

IS-PS

Collections & Disbursements (i.e. Tax & Revenue)
Outbound Correspondence
Billing
Installments
Dunning
Write off
Bad Debts
Doubtful Debts
Limited Customer Interaction Center
Payment Processing (lockbox, cash, desk)
Return Processing
Closing Processing
Manual Postings/Adjustments

ERP Analytics Scope

Financial Analytics
Financial Planning, Budgeting & Forecasting (Preparation & Execution)
Budget Process – Version Management
Labor Planning
Enter Activity Type Plan Data (output planning)
Budget Process – Planning Labor Transfer to CO and PS
Budget Process – Operations and Maintenance O&M Budget
Budget Process – Revenue Budget
Budget Process – Capital Budget – Annual and 5 Year
Budget Process – Capital Budget – Master Plan
Budget Process – Planned Allocations
Budget Process – Plan Settlement
Budget Process – Long Range Budget Models
BI – Planning Integration

SAP Component Scope

The following SAP Components are in scope for the project:

- mySAP Financials
- mySAP Human Capital Management
- mySAP Supplier Relationship Management
- mySAP Material Management
- Industry Solution for Public Sector
  - o Funds Management
  - o Grants Management
  - o Disbursement and Collections
- NetWeaver

Programming Scope

FRICE-W is the term used for Forms (printing requirements), Reports, Interfaces, Conversions, Enhancements, and Workflows. Each FRICE-W area requires some degree of programming effort.

As much as possible, SDDPC and Axon have estimated the effort from already specified FRICE-W requirements and predicted additional effort for unspecified FRICE-W requirements. Approximately 28% of the SI cost is associated with the FRICE-W requirements.

The FRICE-W requirements will be validated during the Blueprint Phase of the project and, if required, the cost will be adjusted based on a pre-determined formula.

Technical Scope

The technical scope of services will include the following:

- NetWeaver
    - Knowledge Management
        - Integrated Planning – BW – BPS
    - Portals
    - Technology
        - XI
        - Web AS
- Basis Administration
    - Design Architecture
    - Support System Sizing
    - Installation
    - Maintain the Environments
    - Manage Transports
    - System Security and Audit Compliance
    - Performance Tuning
    - Authorizations and Roles
    - Solution Manager Configuration for Runtime

Training and Change Management Scope

Training and Change Management are critical factors for project success. Training requirements include Core Team Training, End-user Training, and Technical Team Training.

Axon will provide a Change Management Lead and Training Architect, and will leverage the Services of SAP Education for the end-user training curriculum development.

The project will use SAP provided training solutions for foundational and advanced subject matter training. In addition, Axon will provide SAP overview functional training to the core SDDPC and City team.

The Axon Training Architect will develop the end-user training strategy and plan. The Training Architect, together with SAP Education, will develop the training materials, provide templates, accelerators, and other tools that trainers will use to develop and deliver the training. The actual training will be delivered through a train-the-trainer approach.

Formal training for the technical team will not be provided by Axon, but will be provided by SAP America.

The following is a list of key change related deliverables:

- Role Mapping
- Training Needs Analysis
- Training Schedule
- Role Leaflets
- Manager Cascade
- Rules of the Game
- Role Handbooks
- Role Transition Plans
- Skills Matrix / Gap Analysis
- Training Manuals
- Quick Reference Cards
- Communications Plan
- Vision Roadshows
- Future Rooms / SAP Cafes
- Count-Down Posters / Fact Cards

Business Transformation Scope

The success of the project can be measured by the tangible and intangible benefits the City achieves as a result of the successful implementation of the new system and related processes. To ensure that the opportunities for benefits are clearly identified, quantified, and achieved, Axon will perform the following activities:

- Initial Business Benefits Analysis
- Benefit Enablement Audit
- Business Benefit Realization

Implementation Approach

SAP has developed and refined an implementation methodology and set of tools designed to support rapid deployment of SAP software products. The implementation methodology is known as ASAP, which is an acronym for Accelerated SAP. The toolset includes the Solution Manager and Implementation Guides.

Axon's approach follows the major Phases of the ASAP methodology. The ASAP methodology includes five phases as listed below.

- Project Preparation
- Business Blueprint
- Realization
- Final Preparation
- Go-live and Support

Axon supplements the ASAP toolset with a proprietary project management tool called APSE; Axon Project Support Environment.

The ASAP methodology and supporting tools are discussed in more detail in Selection of Enterprise Resource Planning (ERP) System Software and Establishment of CIP, Report No. 07-106.

Milestones and Deliverables are defined for each of the Phases listed above. Accountability for each Milestone has been defined. During the Project, the Deliverables and Milestones will form the basis of status reporting for project progress.

An Acceptance Procedure has been outlined for project Deliverables. It addresses the review and approval of Deliverables.

Program Organization

The core project team structure is comprised of the following organization units:

- Program (project) management
- Business Process (split into two teams: Financials and Human Resources)
- Change Management and Training
- Technical Infrastructure

This section of the SOW defines staffing requirements and defines project roles and responsibilities.

Assumptions

Certain assumptions were taken into account to determine the level of effort to perform the scope of Services included in this SOW. The assumptions fall into one of the following categories:

- Implementation
- Staffing and Organization
- Application
- Project Management
- Security
- Business Process

- Conversion
- Data Cleansing
- Environments
- Infrastructure
- Reporting
- Forms
- Workflow
- System Testing
- Training
- User Acceptance
- Production Cutover
- Post Implementation Support

Program Management Processes

The project management processes defined in the SOW meet the requirements for IT projects that have been established in the City's IT Project Management Framework. The following areas are addressed:

- Project Management Tools
- Project Controls
- Budget Controls
- Risk Management
- External Dependencies
- Change Control
- Project Planning
- Contract Management
- Issue Management & Escalation Process
- Quality Assurance

Customer Provided Assistance

This Section of the SOW describes the assistance that SDDPC and the City will provide to Axon in order for Axon to meet its obligations. The following areas are defined:

- Infrastructure Requirements
- Access to SDDPC and City Personnel
- Office Space and Furnishings
- SDDPC and City Facilities

Axon Provided Materials

Axon has developed intellectual property and knowledge capital which Axon will provide to support the project. The following list is a high level summary of the areas in which Axon will provide intellectual property:

- Project Management Tools and Accelerators
- APSE
- Project Team Knowledge Transfer
- Development Tracking
- Integration
- Data Migration
- Infrastructure
- Testing
- Organizational Change
- Training

Pricing and Payment

The SOW is developed in accordance with the Fixed Price arrangement between SDDPC and Axon. The amount payable by SDDPC to Axon pursuant to this SOW is $16,951,786 for the implementation of the Program scope and Deliverables with and optional component of $1,853,620 also on Fixed Price terms for the implementation of additional Program scope and Deliverables.

A list of payment milestones is provided. It includes the milestone, projected date of completion, and amount.

In the event that this Program does not require the use of the FRICE-W hours allocated in this SOW, SDDPC may use these programming hours as a credit for other work.

If any additional work outside the Fixed Price becomes necessary, a change request will be submitted by the requesting Party to the other Party. Established rates will be used to compute the cost associated with the change.

FISCAL CONSIDERATIONS:

Overall fiscal considerations have been addressed in Report No. 07-027, Report No. 07-060, and Report No. 07-106.

The total amount authorized for the project is $36.5 million; $3.5 million in ISF 50071, $3.5 million in SDDPC equity, and $29.5 million in CIP 500711.

The total amount budgeted in the CIP project is $29.5 million; $5 million in FY07, $16.3 million in FY08 (included in the May Revised Budget), and $8.2 million in FY09. These amounts match the projected fiscal year draws from the Lease Purchase Agreement with IBM Credit LLC.

Initial project estimates for the ERP software were in the range of $4 million to $5 million. Negotiated contract price for the ERP software, including SAP licenses and 3rd party software licenses, is $3,757,250. Initial project estimates for the ERP software annual license maintenance

were in the range of $1 million to $2 million. Negotiated price for the ERP software annual license maintenance, including SAP license maintenance and 3rd party license maintenance is $818,633. The initial project estimate for the System Integrator was $18,000,000. The negotiated contract is for $16,951,786 with an option for an additional $1,853,630. The total with options is $18,805,416. The total amount without options is $1,048,241 under the estimate. The total amount including optional scope exceeds the estimate by $805,416. The intent is to manage the overall project scope within the $36.5 million in funds allocated for the project.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

On September 6, 2006 the Mayor presented to City Council his proposed responses to the remedial recommendations of the City of San Diego's Audit Committee. The City Council agreed to accept and adopt in principle the Mayor's responses to the remedial recommendations of the City's Audit Committee, knowing that any changes in appropriations, Municipal Code, Council Policy or City Charter, will come to the Council for further review and discussion as the plan is implemented.

The project to implement the ERP system is described in Report No. 07-027 and was approved, in concept, by City Council on February 5, 2007.

Through OO-19618, introduced on April 24, 2007, and adopted on May 15, 2007, City Council authorized the Mayor to enter into a lease-purchase agreement with IBM LLC for the financing required to implement the ERP Core Project. In addition, City Council authorized establishment of ERP Fund (50071) and the transfer of up to $3.5 million from the City's A-List Fund (50066) to the ERP fund.

On June 11, 2007, City Council passed Resolution No. R-302710 authorizing the Mayor to draw against the IBM Credit Facility for the purpose of acquiring the equipment, software, and services selected by SDDPC for the implementation of the City's ERP Project, and to add CIP#92-000.0, Enterprise Resource Planning ("ERP") Core Capital Project, fund 500711, to the fiscal year 2007 Capital Improvements Program.

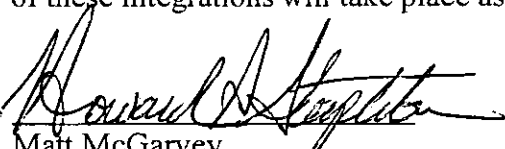COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

On August 24, 2006 the Mayor discussed his remediation plan in response to the City of San Diego's Audit Committee Report at a town hall style meeting. In addition, the Mayor created a "Kroll News Center" on the City's public website that includes the Mayor's proposed Remediation Plan with Fact sheet and Remediation Plan Remarks as well as a video link to the previously mentioned town hall meeting and the Audit Committee Report itself.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

The City is evaluating the impact of this project on its business partners and on related agencies to include the San Diego City Employee Retirement System (SDCERS) and San Diego Data Processing Corporation (SDDPC). It is anticipated that some effort will be required to integrate

the financial systems used by these organizations with the City's ERP system. Detailed planning of these integrations will take place as part of the project planning phase.

Matt McGarvey
Chief Information Officer

Jay M. Goldstone
Chief Operating Officer

000019 ·REQUEST FOR COUNCIL ACTION
CITY OF SAN DIEGO

1. CERTIFICATE NUMBE (FOR AUDITOR'S USE ONLY)

TO:	2. FROM (ORIGINATING DEPARTMENT):	3. DATE:
CITY ATTORNEY	Office of the CIO	10/01/07

4. SUBJECT:

Selection of Enterprise Resource Planning (ERP) System Integrator

5. PRIMARY CONTACT (NAME, PHONE & MAIL STA.)	6. SECONDARY CONTACT (NAME, PHONE & MAIL STA.)	7. CHECK BOX IF REPORT TO COUNCIL IS ATTACHED ☒
George Brister, 533-4811, MS 654	Matt McGarvey, 533-3637, MS 658B	
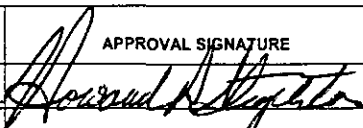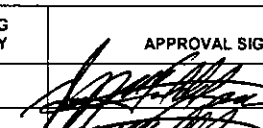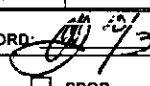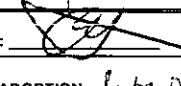
8. COMPLETE FOR ACCOUNTING PURPOSES

FUND				
DEPT.				
ORGANIZATION				
OBJECT ACCOUNT				
JOB ORDER				
C.I.P. NUMBER				
AMOUNT				

9. ADDITIONAL INFORMATION / ESTIMATED COST:

Total estimated cost for the CIP fund is $29.5 million ($5 million FY07, $16.3 million FY08, $8.2 million FY09). In addition, $3.5 million is authorized in ISF 50071 for non-capital cost and $3.5 million of SDDPC equity has been set aside for various expenses related to the City's ERP implementation.

10. ROUTING AND APPROVALS

ROUTE (#)	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED	ROUTE (#)	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED
1	ORIGINATING DEPARTMENT	*[signature]*	10/2/07	8	DEPUTY CHIEF	*[signature]*	10/2/07
2	LIAISON OFFICE			9	COO	*[signature]*	10/2/07
3	FINANCIAL MANAGEMENT			10	CITY ATTORNEY		
4	AUDITOR			11	ORIGINATING DEPARTMENT		
5	CFO				DOCKET COORD:	COUNCIL LIAISON:	
6			✓		COUNCIL PRESIDENT ☐ SPOB ☐ CONSENT ☒ ADOPTION *Info Only*		
7					☐ REFER TO: _____ COUNCIL DATE: 10/15/07		

11. PREPARATION OF: ☐ RESOLUTION(S)   ☐ ORDINANCE(S)   ☐ AGREEMENT(S)   ☐ DEED(S)

1. Information only.

11A. STAFF RECOMMENDATIONS:

1. Information only update.

12. SPECIAL CONDITIONS:

COUNCIL DISTRICT(S):	All
COMMUNITY AREA(S):	None
ENVIRONMENTAL IMPACT:	This activity is not a "project" and therefore exempt from CEQA pursuant to the State Guidelines Section 15060 (c) (3)
HOUSING IMPACT:	None
OTHER ISSUES:	None

EXECUTIVE SUMMARY SHEET
CITY OF SAN DIEGO

DATE ISSUED: REPORT NO:
ATTENTION: Council President and City Council
ORIGINATING DEPARTMENT: Office of the CIO
SUBJECT: Selection of Enterprise Resource Planning (ERP) System
                              Integrator
COUNCIL DISTRICT(S):   All Council Districts
CONTACT/PHONE NUMBER: George Brister, 619-533-4811

REQUESTED ACTION: This report provides an update on the selection of the System Integrator for the ERP Core Implementation Project. No action is required.

STAFF RECOMMENDATION: No action is required. This is for information only.

EXECUTIVE SUMMARY: Axon Solutions Inc (Axon) has been selected to supply SAP System Integration Consulting Services to SDDPC for the City's ERP Project. This report provides a review of the process used to select the system integrator, and an overview of the services to be provided by Axon.

FISCAL CONSIDERATIONS: Overall fiscal considerations have been addressed in Report No. 07-027, Report No. 07-060, and Report No. 07-106.

The total amount authorized for the project is $36.5 million; 3.5 million in Internal Service Fund (ISF) 50051, $3.5 million in SDDPC equity, and $29.5 million in CIP 500711.

The total amount budgeted in the CIP project is $29.5 million; $5 million in FY07, $16.3 million in FY08 (included in the May Revised Budget), and $8.2 million in FY09. These amounts match the projected fiscal year draws from the Lease Purchase Agreement with IBM Credit LLC.

Initial project estimates for the ERP software were in the range of $4 million to $5 million. Negotiated contract price for the ERP software, including SAP licenses and 3rd party software licenses, is $3,757,250. Initial project estimates for the ERP software annual license maintenance were in the range of $1 million to $2 million. Negotiated price for the ERP software annual license maintenance, including SAP license maintenance and 3rd party license maintenance is $818,633. The initial estimate for the system integrator was $18 million. The negotiated contract is for $16,951,786 with an option for an additional $1,853,630. The total with options is $18,805,416. The total amount without options is $1,048,241 under the estimate. The total amount including optional scope exceeds the estimate by $805,416. The intent is to manage the overall project scope within the $36.5 million in funds allocated for the project.

PREVIOUS COUNCIL and/or COMMITTEE ACTION: On September 6, 2006 the Mayor presented to City Council his proposed responses to the remedial recommendations of the City of San Diego's Audit Committee. The City Council agreed to accept and adopt in principle the Mayor's responses to the remedial recommendations of the City's Audit Committee, knowing that any changes in appropriations, Municipal Code, Council Policy or City Charter, will come to the Council for further review and discussion as the plan is implemented.
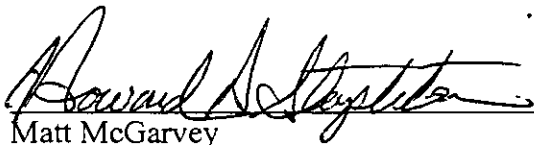
The project to implement the ERP system is described in Report No. 07-027 and was approved, in concept, by City Council on February 5, 2007.

Through OO-19618, introduced on April 24, 2007, and adopted on May 15, 2007, City Council authorized the Mayor to enter into a lease-purchase agreement with IBM LLC for the financing required to implement the ERP Core Project. In addition, City Council authorized establishment of ERP Fund (50071) and the transfer of up to $3.5 million from the City's A-List Fund (50066) to the ERP fund.

On June 11, 2007, City Council passed Resolution No. R-302710 authorizing the Mayor to draw against the IBM Credit Facility for the purpose of acquiring the equipment, software, and services selected by SDDPC for the implementation of the City's ERP Project, and to add CIP#92-000.0, Enterprise Resource Planning ("ERP") Core Capital Project, fund 500711, to the fiscal year 2007 Capital Improvements Program.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: On August 24, 2006 the Mayor discussed his remediation plan in response to the City of San Diego's Audit Committee Report at a town hall style meeting. In addition, the Mayor created a "Kroll News Center" on the City's public website that includes the Mayor's proposed Remediation Plan with Fact sheet and Remediation Plan Remarks as well as a video link to the previously mentioned town hall meeting and the Audit Committee Report itself.

KEY STAKEHOLDERS AND PROJECTED IMPACTS: The City is evaluating the impact of this project on its business partners and on related agencies to include the San Diego City Employee Retirement System (SDCERS) and San Diego Data Processing Corporation (SDDPC). It is anticipated that some effort will be required to integrate the financial systems used by these organizations with the City's ERP system. Detailed planning of these integrations will take place as part of the project planning phase.

Matt McGarvey
Originating Department

Jay M. Goldstone
Chief Operating Officer

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